

# Episode 6: Building an Emergency Fund – Your Financial Safety Net

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9:08 PM

## **Intro:** 0:06

Today, we're talking about one of my favorite topics building an emergency fund. Yeah, I know, maybe not the most exciting thing to hear, but stick with me because this is your financial safety net and, trust me, you're going to want one. Welcome to Low Income Rich Life the podcast that helps you prepare for a secure and fulfilling retirement, even on a limited income. I'm your host, Kevin Bass. Each week, we'll explore practical tips and strategies for getting out of debt, lowering expenses, living a simpler life and finding true contentment. Whether you're nearing retirement or just starting to plan, join me as we navigate the journey to a brighter future. Let's discover together how to make the most of our golden years without breaking the bank. Before we dive in, I want to remind you guys about our awesome emergency fund challenge. We've got going on over in our Facebook group. If you haven't joined yet, what are you waiting for? Jump in and let's start building that safety net together. We're setting goals, sharing wins and keeping each other on track. Plus, I've got a cool tool yep, a tool my very own emergency fund tracker that you can download and start using right now, but more on that later. All right, let's get real for a minute.

## **Why an Emergency Fund?:** 1:23

Emergencies they're inevitable. They show up like an uninvited guest, usually when you're least prepared. Car breaks down, yep, that'll be \$800. A surprise medical bill? There goes another \$500. Emergencies don't care if you're on a budget or not. And let me tell you, having that emergency fund is like having a little financial shield ready to absorb the blow. Think of it this way If life is a game of dodgeball, the emergency fund is the person standing in front of you taking all the hits. So you don't have to. And let me tell you, this fund is going to help you sleep better at night. You won't be lying awake thinking what if the car dies tomorrow? What if I lose my job? Instead, you'll be thinking, eh, no big deal, I've got a buffer.

### **How Much Should I Save?: 2:06**

Now I know what you're thinking, Kevin. How much am I supposed to save in this emergency fund? Well, let me start by saying it depends. I know. I know everyone hates that answer and I do too. But seriously, it depends on your situation. But here's the golden rule: Start with \$1,000.

That's your baseline. It's not the finish line, but it's a good place to start. From there, you want to aim for three to six months of living expenses. I know that sounds like a lot and trust me it is. But once you've got that \$1,000 saved up, you'll already feel a weight lifted. And you're not saving this all in one go. It's a gradual thing, small, consistent steps. And here's where my emergency fund tracker comes in. You can set your savings goal, plug in how much you're putting away each week and visually see your progress. It's like having a little cheerleader in your spreadsheet, and if you're like me and need a little extra motivation, seeing that progress bar fill up is almost as satisfying as finding money in the pocket of a jacket you haven't worn in a while.

### **How?: 3:06**

So how do you build this magical fund? First, let's get one thing straight, it's all about starting small. I know saving thousands sounds daunting, but here's the thing: you don't have to do it all at once. Think of it as small baby steps. One of the easiest ways to get started is to automate your savings. Set up an automatic transfer from your checking account to a separate savings account. It's like magic. You won't even notice the money disappearing until, boom one day you check and there's a nice little chunk sitting there, out of sight, out of mind, until you need it.

### **Helpful Tips: 3:40**

Now let's talk about cutting non-essential expenses. This is a big one. Do you really need that \$5 coffee every day? Listen, I love my coffee, but come on, let's be honest. Little changes like this can make a huge difference over time. It doesn't mean cutting out every single thing you enjoy, just being mindful of where the money is going. And hey, don't forget about those windfalls. You know the little financial surprises that come your way: Tax refunds, birthday money, maybe selling something on Facebook Marketplace. Throw that extra cash into your fund. That's your fast track to building it up without feeling like you're making a big sacrifice.

### **Where Do I Keep My Emergency Fund?: 4:18**

All right, so you've started building your emergency fund. Now where do you put it? You want it somewhere that's easy to access, but not too easy. Otherwise, you might dip into it for non-emergencies, like when your favorite band announces a reunion tour and you

just have to go. The best place is a high-yield savings account. Why? It's safe, it earns a little bit of interest and it's not sitting in your checking account begging you to spend it. And let's face it, most of us need all the help we can get to when it comes to resisting temptation.

I use one myself and it's been a game changer. You can access the money if you need it, but it's not sitting right there in front of you.

### **Emergency Fund Tracker:**

Now let's talk about this emergency fund tracker I've been hyping up. I've created a tool that's super simple to use. You enter your goal, track your deposits and my favorite part you get a progress bar that shows how close you are to hitting your target. Trust me, once you see that bar moving, you're going to want to keep going. It's like a little dopamine hit every time you save. And if you're a little more advanced or getting there, I've got a new and improved version of the tracker that's in the works. This one will let you calculate your emergency fund goal based on your actual expenses. It's going to be a game changer for anyone who's serious about nailing down those three to six months of savings All right.

### **Common Questions: 5:35**

Now that we've covered the basics of building an emergency fund, I want to dive into some common questions people have about this topic. These are things I've heard from folks just like you, and I think they'll help clear up a lot of the confusion around saving.

A common question I hear is how much should I save in my emergency fund if \$1,000 feels impossible right now? That's a great question, and I know \$1,000 can sound like a big number, especially if you're living paycheck to paycheck. The key is to start small. If \$1,000 feels out of reach, aim for just \$500 or even \$100 to begin with. The goal here is progress, not perfection. Start by saving whatever you can each week or month, even if it's just \$10 or \$20. The most important part is building the habit of saving. Once you get that momentum going, it becomes easier to increase your savings over time. And remember small amounts add up quicker than you think.

Another question I commonly hear is where should I keep my emergency fund? Well, this is another great question.

You want to keep your emergency fund in a place that's easy to access, but not too easy, meaning don't leave it in your checking account, where you're tempted to dip into it. I recommend using a high yield savings account. These accounts earn a bit more interest

than a regular savings account and your money is still accessible when you need it. The key here is that you can get to the funds in a real emergency, but you're not as likely to spend them impulsively.

Question three: how do I keep myself from using my emergency fund for non-emergencies? Ah, this is a big one. The temptation to dip into your emergency fund can be real, especially if it's sitting there looking all tempting. One way to avoid this is by getting very clear on what qualifies as an emergency. Things like car repairs, medical bills or unexpected job loss are emergencies. Going on vacation or buying new clothes not so much. Another strategy is to keep your emergency fund in a separate account so it's a little harder to access Out of sight, out of mind. Right, and here's a tip: Every time you think about using your emergency fund, ask yourself will future me thank me for this? If the answer is no, it's probably not a real emergency.

What if I have debt? Should I focus on paying off debt or building an emergency fund? And this is a common dilemma and, honestly, it depends on your situation, I guess. But here's what I suggest: If you don't have any savings at all, try to build a small emergency fund first even if it's just \$500, before aggressively paying off your debt. Why? Because, without an emergency fund, you're likely to rely on credit cards or loans when an emergency hits, which can just increase your debt. Why? Because, without an emergency fund, you're likely to rely on credit cards or loans when an emergency hits, which can just increase your debt, and having a small cushion gives you a buffer so that you're not going deeper into debt. After that, you can focus on paying down your debt while slowly adding to your emergency fund.

How long does it usually take to build a full emergency fund? Well, this timeline really depends on your income, your expenses and how much you can contribute to the fund. If you're starting from zero and aiming for that first \$1,000, it might take a few months or even a year, and that's okay. The important thing is to stay consistent and save whatever you can. Once you've built that initial fund, you can gradually work toward the ideal goal of three to six months worth of living expenses. Some people may take several years to fully fund their emergency savings, and that's perfectly fine. Slow and steady wins the race here. The goal isn't to rush, it's to build financial security over time and, more importantly, develop great financial habits.

And there you have it. I hope these answers help clarify some of the common questions around emergency funds. Remember, the key to building an emergency fund is starting

where you are, staying consistent and not being too hard on yourself if the process feels slow. It's a journey and every dollar you save is a step closer to financial peace of mind.

### **Sum It Up:** 9:32

All right, let's recap real quick before I let you go. The first thing to remember is to start small. Just aim for a thousand dollars. To begin with it might seem like a lot, but trust me, once you start automating your savings, it'll grow without you even noticing. Set up that automatic transfer so you don't have to think about it. It's one less thing on your plate.

And don't forget, I've got that emergency fund tracker waiting for you. It'll help you stay motivated and, trust me, seeing your progress laid out visually is a game changer. You'll want to keep going just to see that bar fill up.

Now, where are you going to stash this fund? Keep it somewhere safe but easy to access, like a high yield savings account. You don't want it sitting in your checking account where it's too tempting to spend, but you also want to be able to grab it quickly when life throws a crazy curveball.

And last but definitely not least, join the Emergency Fund Challenge. We're all in this together, step by step. There's a whole community in our Facebook group cheering each other on, sharing wins and keeping motivated. You don't have to do this alone.

I can't wait to hear about your progress. So go download the tracker, sign up for the challenge and start taking those steps today. Your future self will thank you. And hey, if you found this episode helpful, I'd love it if you shared it with someone who might need that nudge to get started.

### **Kevin Bass:** 10:50

Don't forget to subscribe and I'll catch you in the next episode of Low Income Rich Life. Thank you for joining us on this episode of Low Income Rich Life. I hope you found today's tips and strategies helpful. If you enjoyed the show, please subscribe, rate and leave us a review on your favorite podcast platform. Your feedback helps us reach more listeners and improve the content we bring to you. Don't forget to visit our website at [lowincomerichlifecom](http://lowincomerichlifecom) for additional resources, show notes and links to everything we discussed today. You can also join me on our Facebook page for more updates and retirement tips.

Remember, a truly rich life is not about how you spend your money, but how you spend your time.

I'm Kevin Bass, wishing you a prosperous and joyful retirement journey.

Stay well and stay inspired.